

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

PHI ACQUISITIONS NSA

Docket No. MC2014-21

PHI ACQUISITIONS NSA

Docket No. R2014-6

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 4**

(May 2, 2014)

The United States Postal Service hereby provides its responses to Chairman's Information Request (CHIR) No. 4, issued April 29, 2014. Responses were due by May 2, 2014. A response to Question 3 is forthcoming. Each question is reprinted verbatim in the attached, and is followed by the Postal Service's response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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May 2, 2014

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1. Please refer to ExigencyAdj\_CHIR3Q3.xls. Workbook tab "Exigent Impact Calculation" Cell B53 contains PHI eligible volume for the period FY 2013 Quarter 2 to FY 2014 Quarter 1. The PHI eligible volume for FY 2014 Quarter 1 can be calculated by subtracting the PHI eligible volume for FY 2013 Quarter 2, Quarter 3, and Quarter 4, located in workbook tab "Summary of Steps" Cells C19 through C21, from the total PHI eligible volume located in workbook tab "Exigent Impact Calculation" Cell B53.
  - a. Please confirm that the PHI eligible volume for FY 2014 Quarter 1 is 71 million. If not confirmed, please explain.
  - b. Please confirm that the PHI eligible volume for FY 2014 Quarter 1 represents a 33 percent increase compared with FY 2013 Quarter 1. If not confirmed, please explain.
  - c. Please confirm that a similar increase in PHI eligible volume for the remaining three quarters of FY 2014 would result in a volume that far exceeds both the before rates and the after rates volume projections for Year 1 of the NSA. If not confirmed, please explain.
  - d. Please refer to PHI\_NSA\_Financials\_FINAL\_Exigent.xls, workbook tab "1\_Inputs" Cell G174. Please confirm that the Postal Service projected volume for FY 2014 represents a volume decrease from FY 2013. If not confirmed, please explain.
  - e. Please confirm that PHI would have to significantly reduce its volume in the last three quarters of FY 2014 in order for FY 2014 PHI eligible volume to match the Postal Service's volume projection for PHI eligible volume in FY 2014. If not confirmed, please explain.
  - f. Please explain the cause or causes of the 33 percent increase in FY 2014 Quarter 1 volume over FY 2013 Quarter 1, and discuss whether this deviation from previous quarterly volume trends necessitates a revision of the Postal Service's volume forecast. Please provide a revised volume forecast if necessary.

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Confirmed.
- e. Confirmed.

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- f. The Postal Service does not believe a revised volume forecast is necessary.

Referred to PHI Acquisitions for an explanation of the causes of the 33 percent increase.

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2. Order No. 1926 allows the Postal Service to collect a surcharge to recover \$2.776 billion in additional contribution. The recovery period was estimated by the Commission to be less than 2 years. Order No. 1926 at 184. Please assume that the surcharge will be removed from the applicable rates after Year 2 of the NSA. Please provide revised workpapers demonstrating the effect of the expiration of the surcharge on forecasted PHI eligible volumes and the financial impact of the NSA.

**RESPONSE:**

The Postal Service is unable to provide revised workpapers demonstrating this effect, because the threshold volume for Year 2 will not be known until Year 1 is completed. Nevertheless, the Postal Service would apply the same methodology in section III.D. of the NSA to reverse the effect of the exigency that was applied in recalculating the threshold. The method to be employed involves the following steps:

- a. Determine the remaining full quarters of the then-current contract year affected by the removal of the exigency (assuming that the timing of the removal will not coincide directly with the contract year).
- b. Compute the portion of threshold volume remaining in the affected contract year. This will be determined using historical data depicting volumes per quarter due to the seasonal nature of the volume flows.
- c. Compute the increase in the threshold when the exigency percentage is removed, employing the same procedure as outlined in the NSA.
- d. Add the increased volume to the threshold for the remaining quarters of the then-current contract year.
- e. Determine the carryover effect into the subsequent contract year.